

Tangible personal property, such as paper and ink, that is purchased for transfer to customers does not qualify as production related tangible personal property that is "used or consumed" in a production related process. See 86 Ill. Adm. Code 130.331. (This is a GIL).

March 19, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated February 10, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We are writing to request clarification on the usage of the Manufacturer's Purchase Credit, MPC, in 'production related tangible personal property used or consumed in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process described in Section 2-45 of the Retailers' Occupation Tax Act takes place'. We are inquiring specifically if the MPC can be used towards the 'sales tax' portion of items purchased in the production process such as paper, ink and other related materials used in the printing process, understanding that the MPC may be used only towards the 6.25% (state portion) of the total sales tax amount.

If you need any further information in order to answer our question, please do not hesitate to contact me directly. Thank you for your attention to this tax matter.

Please find enclosed a copy of 86 Ill. Adm. Code 130.331 governing the Manufacturer's Purchase Credit. As you can see from the regulation, production related tangible personal property means all tangible personal property used or consumed in a production related process by a manufacturer in a manufacturing facility in which a manufacturing process described in Section 2-45 of the Retailers' Occupation Tax Act takes place, and all tangible personal property used or consumed by a manufacturer in research and development regardless of use within or without a manufacturing facility. Generally, supplies and consumables used in a manufacturing facility may be considered to be production related. See Section 130.331(b)(4)(B). However, tangible personal property, such as paper and ink, that is purchased for transfer to customers does not qualify as production related tangible personal property that is "used or consumed" in a production related process.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis  
Associate Counsel

MAJ:msk  
Enc.